



March 17, 2017

# Defense Primer: The National Defense Budget Function (050)

The budget function classification system provides a framework for examining spending patterns of the federal government by category of activity, rather than by agency or type of financing. Within the system, spending categories are called functions, and each is coded with both an explanatory title and numeric code ending in zero (and shown in parenthesis). This defense primer addresses the National Defense Budget (050), which is frequently used to explain trends in military spending but which also includes some activities not conducted by the Department of Defense.

## What Is the Purpose of the Budget Function System?

The budget function classification system organizes the spending of the federal government into categories, or ‘functions,’ that describe the public purpose of each activity. When spending among all agencies is summarized topically in this way, patterns may be revealed that help analysts identify the overall priorities of the federal government. For instance, in FY2016, spending for National Defense (050) represented 15% of all federal expenditures. This was, for example, only slightly more than the government spent on activities in the Health (550) function, which accounted for 13% of all federal spending.

Since federal agencies often have diverse, overlapping responsibilities, it is not uncommon for them to be associated with multiple categories of activity. In the functional classification system, this can sometimes lead to unexpected results. For example, though most DOD spending is associated with the National Defense Function (050), in some years, agency expenditures can be found in such divergent functions as International Affairs (150), Education, Training, Employment, and Social Services (500), and Health (550).

## How Are Budget Functions Organized?

The budget function classification system primarily organizes federal spending into broad activities and smaller elements called *subfunctions*, which describe individual policy activities. Subfunctions are assigned a numeric identifier (ending in a single digit) related to the function to which they belong. For instance, function 050 is composed of the subfunctions 051, 053, and 054. Function 250 is composed of subfunctions 251 and 252. In common usage, an analyst might employ budget functions and subfunctions to describe federal spending by explaining, “*In FY2016, budget authority for National Defense (050) was \$615 billion. Within that, the Department of Defense-Military (051) comprised \$587 billion.*”

## How Are Budget Functions Managed?

The Office of Management and Budget (OMB) is considered the official custodian of federal budget data and

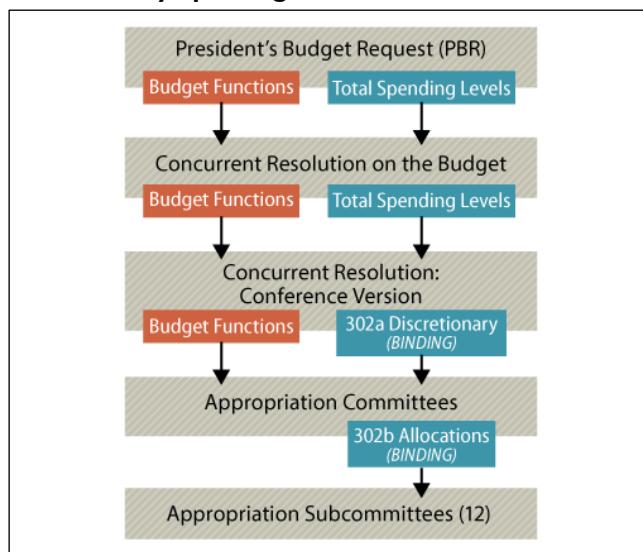
plays the largest role in managing and updating the categories. Changes to the scheme can be made by the President only in consultation with the House and Senate Appropriations Committees and Budget Committees.

In addition to its role reviewing agency budgets to ensure they conform to presidential priorities, OMB requires that agencies prepare and submit their budget requests in functional categories. These are organized and presented to Congress each year in the President’s Budget Request (PBR).

## How Are Budget Functions Used in the Budget Process?

The PBR is organized according to budget function when it is submitted to Congress. After receiving the PBR, Congress sets spending and credit amounts by function and by total spending level in an annual Concurrent Resolution on the Budget (commonly referred to as the ‘Budget Resolution’). For Congress, the amounts indicate an expression of overall spending priorities, not a binding requirement. Using the Budget Resolution as a guide, each chamber separately assigns binding spending limits—called 302a allocations—to its respective appropriation committee. A 302a allocation represents the total amount of discretionary budget authority to be made available in the upcoming fiscal year. The appropriation committees then subdivide their allocated budget authority among the twelve appropriation subcommittees (302b allocations).

## Figure 1. Congressional Consideration of Discretionary Spending Levels



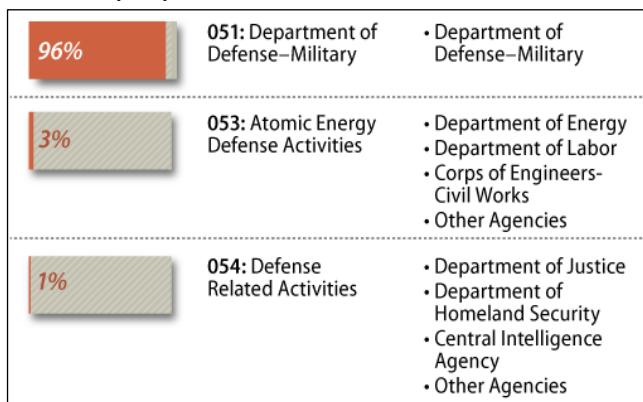
## The National Defense Function (050)

The DOD is the agency responsible for approximately 96% of spending within the National Defense Budget (050).

Because nearly all DOD spending is also included within the National Defense Budget (050), it is often used as a convenient summary of all DOD spending.

A relatively small amount—roughly 4% of National Defense (050) funding—is spread among non-DOD agencies that perform defense-related activities, such as the Department of Energy nuclear programs. The activities of these agencies are included in subfunctions 053 and 054, as shown in the graphic below

**Figure 2. Spending by Subfunctions of National Defense (050)**



### People Talk about the Defense Budget in Various Ways

In discussions about defense spending, total amounts may sometimes differ for a variety of reasons. It is not uncommon for observers of the federal budget to re-group budget functions to account for factors not included in the original scheme. For example, National Defense (050) excludes some activities (such as funding for Veterans Benefits or Homeland Security) that might reasonably be included under a broader definition of defense spending. Observers that adopt such non-conventional definitions might arrive at different conclusions about overall defense spending.

An additional reason defense spending totals may differ relates to the type of spending (discretionary or mandatory) included in the analysis. *Discretionary* funds are provided by appropriation acts, and are subject to spending caps set in the Budget Control Act. Most defense spending is discretionary. *Mandatory* spending is controlled by laws other than appropriation acts, including federal spending on entitlement programs. It accounts for a relatively small portion (2%) of defense spending, and primarily funds retirement benefits.

Finally, because OMB and the congressional budget resolution show war (Overseas Contingency Operations/GWOT) and other emergency spending separately from the functional scheme, budget analysts may choose either to include or exclude such funds.

### How Can I Analyze DOD Spending?

Within the Department of Defense—Military (051) are accounts that generally correspond to major types of DOD activities, such as *Procurement* to buy weapon systems and *Military Personnel* to provide pay and benefits. Budgetary

totals for these accounts can be found in the suite of Historical and Analytical volumes posted by OMB on the White House official website or, for detailed estimates, in the DOD Comptroller's annual release of the "National Defense Budget Estimates."

### Average Historical Percentage of Select Accounts within Subfunction 051 (2001-2017)

	Accounts	Description
41%	Operation and Maintenance (O&M)	Cost of ground, sea, and air operations, equipment repair, and maintenance of defense facilities, healthcare costs, and administration.
24%	Military Personnel (MILPERS)	Pay and allowances, and various benefits including military retirement funds.
19%	Procurement	Acquisition of weapons and support systems.
12%	Research, Development, Test and Evaluation (RDT&E)	Basic research and development of new weapons and equipment.
2%	Military Construction (MILCON)	Facility management and construction.

### Relevant Statutes

31 U.S.C. 1105(a)(22) requires the President provide a statement of outlays and budgetary authority in terms of national needs.

31 U.S.C. 1104(c) requires the President to consult with Congress before changing budget format.

### CRS Products

CRS Report 98-280, *Functional Categories of the Federal Budget*, by Bill Heniff Jr.

CRS Report IG10006, *How People Talk About the FY2017 National Defense Budget*, by Lynn M. Williams and Pat Towell.

### Other Resources

Historical Tables, Office of Management and Budget

National Defense Budget Estimates for FY2017, DOD ('Green Book')

Status of Discretionary Appropriations, Congressional Budget Office

Christopher T. Mann, cmann@crs.loc.gov, 7-0451

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